



## Melbourne Water exists to operate a successful commercial business...

- A major pricing reform package introduced by the Victorian Government saw a reduction of \$337 million in the Corporation's debt portfolio to offset lower revenue.
- 1997/98 saw a sharper focus on maximising shareholder value and its use as a measure of business performance.
- A new Enterprise Agreement provided the scope for improved efficiencies and work practices and for individual agreements rewarding employee skills and performance.
- The Corporation's values were reviewed. The values – innovation, co-operation, respect, enthusiasm, integrity and pride – are fundamental to Melbourne Water's way of working
- Profit before tax as a percentage of total operating revenue increased from 39 per cent in 1996/97 to 43 per cent.
- A new Performance Management System was introduced.
- The Corporation met obligations to the retail water companies under its service agreements for water and sewerage.

## ...which supplies safe water...

- Key performance indicators for water supply quality and treatment were consistently met.
- More than 40,000 tests were undertaken by independent research laboratories which included 10,000 individual water samples collected from 140 sites
- A public health compliance document was produced for external distribution outlining the Corporation's performance in the provision of safe drinking water.
- A landmark study part funded by Melbourne Water began comparing the health records of people drinking filtered water with families drinking tap water.
- Melbourne Water completed major works to improve the quality of water supplied to Yarra Valley Water's customers in the Emerald and Healesville districts

## ...and removes sewage and stormwater...

- The \$225 million North Western Sewer Project neared completion with some sections already operational, improving sewerage services in Sunshine, Footscray, Essendon and Keilor.
- A Drainage Survey identified land which would be flooded in the worst storm Melbourne could expect in any 100 year period, greatly improving information available to property owners and developers.
- A Stormwater Management Agreement with the Environment Protection Authority and local councils was signed to help improve the environmental management of urban stormwater.
- Comprehensive data produced the best picture yet of what trade wastes are discharged into the sewers and where they end up. This data will be used to work with the retail water companies on further trade waste minimisation programs.
- A major drainage rehabilitation project was completed in South Melbourne ahead of schedule and with minimum disruption to traffic, business and residents in busy St Kilda Road.
- Work started on a project to protect some 1,200 properties from flooding in the Elwood area.

## ...at an acceptable cost...

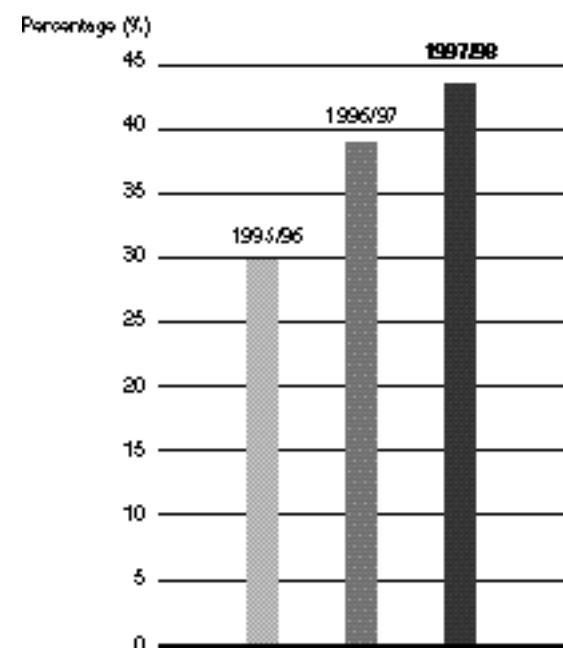
- Operating costs were reduced by 11 per cent, despite pressures on the business resulting from Melbourne's prolonged drought.
- Design work began on a \$20 million program of works at the Eastern Treatment Plant to reduce emissions, increase automation and cut costs by \$2 million a year.

## ...and in an environmentally sensitive manner...

- The Eastern Treatment Plant supplied 1,280 million litres of effluent for re-use and work began on a strategy for the re-use of effluent from the Western Treatment Plant.
- A plan to reduce the discharge of nitrogen into Port Phillip Bay through enhanced lagoon treatment of sewage began to take shape at the Western Treatment Plant.
- Community Liaison Committees were established at both sewage treatment plants to assist in the development of Environmental Improvement Plans.
- The Corporation worked with farmers and river diverters to develop a Drought Response Plan that maintained environmental flows in the Yarra River.
- The Corporation met its environmental flow requirements for the Thomson River in the second worst drought on record.
- A comprehensive report was completed on the health of Melbourne's waterways providing the data necessary to ensure effective long term planning.
- Melbourne Water achieved the highest combined level of public health and environmental compliance in the Australian urban water industry.
- Melbourne Water continued to invest in research projects to assess public health and environmental benefits before committing to major infrastructure projects.

...for the benefit of  
present and future  
Melburnians.

## Operating result...

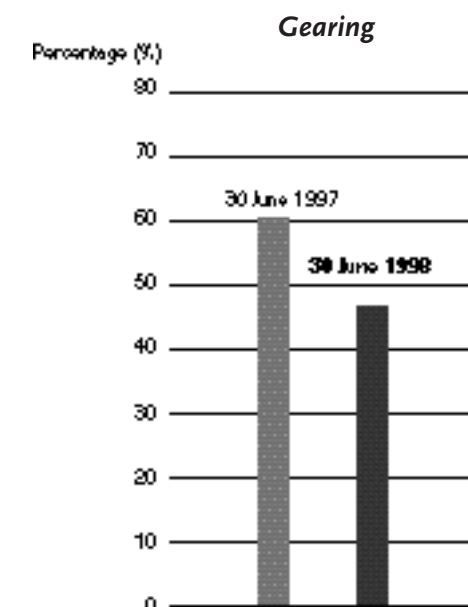


|                       | 1995/96 | 1996/97 | 1997/98 |
|-----------------------|---------|---------|---------|
| Operating Result* (%) | 30%     | 39%     | 43%     |

\* Represents Operating Profit before Abnormals and Tax/Operating Revenue.

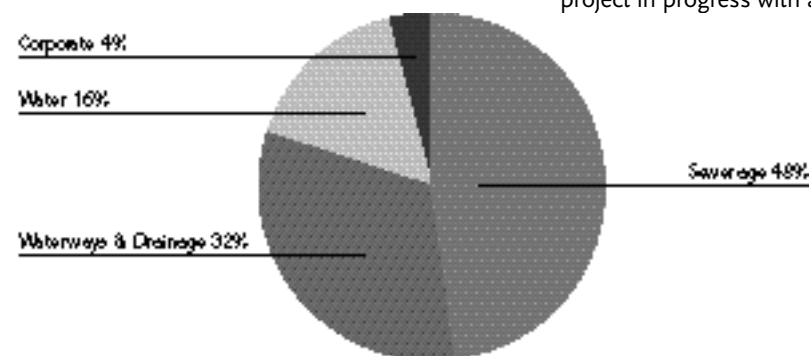
## Debt reduction...

The total book value of borrowings amounted to \$1,281.8 million (\$1,636.2 million in 1996/97). The reduction reflects the \$337 million debt restructure and an ongoing program of debt repayment. The gearing percentage at 30 June 1998 improved to 47.1% compared to 60.3% at 30 June 1997 as a result of these initiatives.

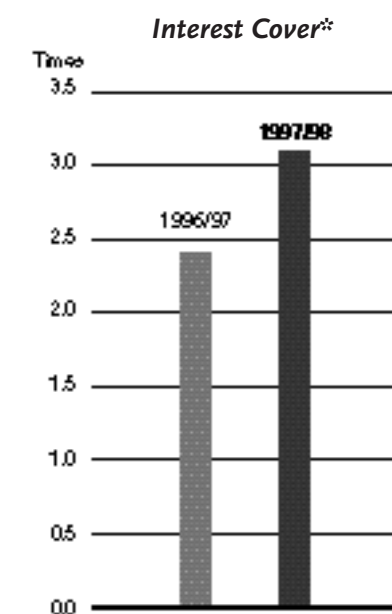


## Capital expenditure...

Capital expenditure for the year totalled \$79.4 million. The North Western Sewer Project continues to be the most significant capital project in progress with a further \$21.9 million spent during 1997/98.



|                                  | \$M         |
|----------------------------------|-------------|
| Water Business                   | 13.0        |
| Sewerage Business                | 38.3        |
| Waterways and Drainage Business  | 25.2        |
| Corporate                        | 2.9         |
| <b>Total capital expenditure</b> | <b>79.4</b> |



\* Represents Cash from Operations/ Interest Costs.

*1997/98  
represented another  
year of considerable  
achievement for  
Melbourne Water  
in all areas of  
its operations.*

The Corporation again met its key objectives of providing high quality water and sewerage and drainage services to the community.

During the year the Victorian Government announced major pricing reforms for our industry. The reforms reduced Melbourne Water's bulk water charges to the retail water companies. In addition \$337 million in debt was transferred from Melbourne Water to the Victorian Government. This debt transfer enabled the Corporation to reduce servicing costs and to increase its interest cover. Government reforms to pricing policies for water and sewerage services placed more emphasis on a user-pays approach, resulting in reductions in water bills for approximately 85 per cent of Melburnians.

In the 1997/98 year Melbourne Water's net surplus after tax was \$160.6 million. Operating surplus before interest and tax was \$178.8 million for the Water Group, \$141.5 million for the Sewerage Group and \$76.4 million for the Waterways and Drainage Group. Melbourne Water's dividend to the Victorian Government was \$141.1 million. The Corporation's total revenue for the year was \$567 million. Revenue from the three retail companies was \$422.4 million, while \$91.7 million was generated from drainage rates, \$16.4 million from the sale of non-core assets and \$17 million from developer charges and contributions. Melbourne Water's strong financial performance was reflected in Standard & Poors assigning the Corporation a AA credit rating.

In January John Morgan retired as the Corporation's Managing Director. During his three years with the Corporation he led major reforms in its operations resulting in a stronger focus on the core businesses of water, sewerage and waterways and drainage. Under Mr Morgan's leadership, Melbourne Water made significant gains in commercial, environmental and public health performance. We bid him farewell with our best wishes and our thanks for the outstanding contribution he made during his time as Managing Director.

The appointment of Brian Bayley as the new Managing Director will build on strong foundations developed over the past three years. It is pleasing that Mr Bayley is the first Managing Director appointed from within

the Corporation. He has extensive water industry experience in a broad range of senior management positions. He also gained international experience through a secondment to Anglian Water in the United Kingdom.

Major infrastructure projects which were undertaken by the Corporation during the year included ongoing work on the \$225 million North Western Sewer Project. Stage One of the sewer was commissioned, reducing the risk of sewage spills into the Maribyrnong River. A new water filtration plant was built at Healesville to ensure high quality drinking water for this outer urban area. Work commenced also on upgrading the century-old Epsom Road Main Sewer and on the development of wetlands on the Woodlands Industrial Estate at Braeside. In Elwood a drainage project was commenced to provide flood protection for more than 1200 properties.

All of these major projects involve close co-operation between Melbourne Water, the communities and local government.

Melbourne Water again maintained its strong performance in meeting environmental and public health standards. A report by the Water Services Association of Australia released during 1997 found that Melbourne Water had the highest combined level of compliance in health and environmental standards of all major urban water authorities.

The progress made during the year is a tribute to our staff who performed with higher standards of service and initiative right across the organisation. I record here our appreciation of the fine efforts of all of our people and the contribution made by them in the achievement of the year's results.



Christopher Stewart  
Chairman

*In 1997/98  
Melbourne Water met  
its key commercial  
objectives while  
delivering a high  
standard of service  
in water, sewerage  
and waterways  
and drainage.*

Melbourne Water's key objectives were achieved through working in close co-operation with retail water companies, local government, the community and other government authorities.

Melbourne Water's operating profit before tax in 1997/98 was \$242.5 million on operating revenue of \$567 million, compared with a profit in the previous year of \$263.4 million. The result reflects the impact of the Victorian Government's pricing reforms which substantially reduced operating revenue. The profit result was, however, higher than originally forecast due to the Corporation's ability to maximise opportunities to reduce costs and increase efficiencies.

#### **Drought management**

A major challenge for the Corporation in 1997/98 was managing the impact of the drought. Adequate water supplies were made available to the retail water companies and Melbourne Water met stream flow requirements established under the State Environment Protection Policy. To minimise the impact of the drought on the Yarra River, Melbourne Water worked with farmers and river diverters to implement a drought response plan. The success of the Yarra River Drought Response Plan is evidence of the importance of working in partnership with local communities and businesses. Under its agreement with Southern Rural Water, the Corporation made further allocations from the Thomson Reservoir to enable the authority to supply additional water to its irrigation customers.

The community was encouraged to use water wisely through an education campaign. Melbourne Water is continuing to carefully monitor water storage and consumption levels and to provide advice to the retail water companies as the dry weather continues.

#### **Long term planning**

An important initiative during 1997/98 was the development of the Corporation's long term strategic plan which was endorsed by the Board in February 1998. The plan, A Shared Vision for the Future, sets out the Corporation's broad strategic directions in seven priority areas – business performance, asset management, risk management, fostering innovation, best practice in public health and environmental performance and effective customer and community relations.

#### **Research a priority**

Involvement in relevant research is vital to Melbourne Water's ability to achieve the objectives outlined in its strategy plan and to thoroughly assess options prior to commitments being made. In 1997/98

the Corporation engaged the CSIRO to undertake a major study on effluent management at its Eastern Treatment Plant at Carrum. One of the study's objectives is to report on options to reduce the impact of effluent discharged into Bass Strait from the South Eastern Outfall at Boags Rocks. The study involves extensive community consultation with residents, environmental groups and surfers.

Melbourne Water is committed to minimising the impact of its operations of the environment and a major project started in 1997/98 to investigate options for effluent re-use. As part of a further expansion of the Corporation's effluent re-use program, the Minister for Agriculture and Resources, Mr McNamara was invited to call for expressions of interest in the use of effluent from Melbourne Water's Eastern Treatment Plant.

The Corporation's leadership role in research was highlighted through its participation in the Water Quality Study being undertaken by the Co-operative Research Centre for Water Quality and Treatment. The landmark epidemiological study involves a clinical trial of 600 families with half using filtered drinking water and the other half Melbourne's tap water.

A close working relationship between Melbourne Water and the retail water companies Yarra Valley Water, City West Water and South East Water is a priority. In 1997/98 a number of projects were undertaken to strengthen the relationship including the development of a partnership principles agreement with South East Water. Water quality upgrade projects were completed for Yarra Valley Water customers. Melbourne Water continued to work with the retail water companies to ensure a high level of customer service was provided on drainage rate inquiries.

#### **Community involvement**

Melbourne Water places a high priority on a positive relationship with the community. The Corporation aims to be open and accountable and in 1997/98 a number of projects were undertaken to achieve this objective. The Corporation's internet site was updated to include information on the Corporation's activities in a readily accessible format. Melbourne Water also published its Environment and Public Health Report with a detailed companion document on public health and environmental compliance. Local communities were kept informed on capital works projects and feedback was utilised to minimise any inconvenience. Melbourne Water aimed to maintain strong links with the communities in close proximity to its treatment plants through the establishment of consultative committees and support to local schools.

#### **Our people**

The strength of any organisation is directly related to its employees and their capacity to contribute to its current and future success. In 1997/98 a new enterprise agreement was negotiated that will create opportunities to further improve work practices and to link pay rises to a range of corporate performance targets. Melbourne Water also maintained its strong health and safety record, achieving further reductions in workplace injuries.

During the year, Melbourne Water organised a number of programs to involve and inform its employees and these included the communication of the Corporation's long term plan. A further major initiative was the organisation of a series of two-day seminars for all employees, an important outcome of which was the development of a revised set of values to underpin our way of working. The values are Innovation, Co-operation, Respect, Enthusiasm, Integrity and Pride.

Our achievements during the year reflect the efforts of employees who are hard working and committed to providing high quality services. It has been a genuine team effort which is one of the reasons why working for Melbourne Water is both challenging and enjoyable.

I would also like to acknowledge John Morgans' leadership over the past three years and the substantial support and direction this organisation receives from its Board of Directors.

I look forward with enthusiasm to Melbourne Water building on these achievements in 1998/99.



Brian Bayley  
Managing Director



*Melbourne Water's improvements to infrastructure helped maintain and improve drinking water quality, particularly in outer urban areas and new growth corridors.*

**WATER**

Melbourne's water comes from protected wilderness catchment areas.

The exceptionally low rainfall Melbourne experienced in 1997/98 resulted in water storage levels falling to 57 per cent of capacity. Throughout summer Melbourne Water used sophisticated monitoring techniques to assess catchment conditions, stream flows and storage levels. This ensured adequate supplies were available to Melbourne's 1.2 million households and businesses.

As a result of low flows in the Graceburn and Coranderrk Creeks, Melbourne Water helped Yarra Valley Water meet its water demand in Healesville by constructing additional pumping facilities at Maroondah Reservoir.

The Corporation carried out extra fire and security patrols in catchment areas to deal with the extreme risk of bushfire. Melbourne Water also maintained environmental flows in the Yarra River to help minimise the impact of the drought on the river's condition. This involved imposing temporary restrictions on rural irrigators who normally divert water from the Yarra and its tributaries.

A community education campaign encouraged Melburnians to conserve water by promoting the theme "You Don't Know What You've Got Until It's Gone." An evaluation of the campaign showed more than 80 per cent of people remembered the campaign and could recall the key messages.

**THE WATER GROUP FOR 1997/98**

**Business performance**

Earnings before interest and tax \$M 178.8

**Operating performance**

% of all water samples at wholesale/retail interfaces with O faecal coliforms present 99.9%

% of the retail companies supply points complying with pressure requirements 99.9%

**Maintaining world-best standards**

Melbourne is one of the few cities in the world that receives largely unfiltered drinking water from protected wilderness catchment areas. Monitoring programs and research studies conducted by Melbourne Water during 1997/98 helped maintain the high quality of our drinking water.

An extensive monitoring program on drinking water quality was conducted, with thousands of tests from different locations around the water supply system.

Melbourne Water also continued its participation in the city's landmark Water Quality Study. The study is directly measuring the effects of drinking water on people's health and is the first of its kind in the world. The \$3.3 million research project, which commenced in 1996/97, involves a survey of 600 families to compare the health impacts of filtered and unfiltered water, including the impact of unfiltered water on the incidence of gastroenteritis in the community.

During 1997/98 detailed health records were kept by each of the 600 families, and the data-collecting phase of the project is now 70 per cent complete.

**Infrastructure improvements**

During 1997/98 Melbourne Water spent \$13 million on improvements to the water supply infrastructure. These works helped maintain and improve the quality of drinking water supplied to consumers by City West Water, South East Water and Yarra Valley Water, particularly in outer urban areas and new growth corridors.

During 1997/98 works were completed at Monbulk, Silvan, Greenvale, Warburton, Yarra Junction, East Bittern, Emerald, Mornington, Bittern, Somers-Flinders and Pakenham. The works were part of an ongoing \$9 million program to improve chlorination treatment in outlying areas.

The commissioning of the \$5 million Pakenham water main means households in the Pakenham area now enjoy high-quality water from the Cardinia Reservoir. During 1997/98 the Corporation also constructed a \$3.3 million pumping station and pipeline to supply townships in the Emerald District with reliable, high-quality water from the Silvan Reservoir.

**A greater commercial focus**

During 1997/98 the Water Group continued to sharpen its commercial focus. Twenty-eight new meters were installed to enable more accurate measurement of water supplied to City West Water, South East Water and Yarra Valley Water. This will allow greater certainty and transparency in the commercial relationship between the companies and Melbourne Water.

The Water Group also made significant savings on its operating costs by improving the management of water supply assets.

**High quality service to customers**

The Water Group has continued with its commitment to provide high quality service to its customers – City West Water, South East Water and Yarra Valley Water. During 1997/98 monthly customer reports were produced and a key performance indicator on customer service was introduced. As part of Melbourne Water's Customer Service Strategy, the Water Group is preparing a Customer Service Action Plan to enhance the working relationship with its customers. This action plan is to be developed with input from representatives of the retail water companies.



# Melbourne Water is responsible for the environmental management of waterways, water quality, floodplain management, flood protection and regional drainage.

## WATERWAYS AND DRAINAGE

Melbourne Water works with local councils to manage drainage across the Port Phillip and Western Port catchments. In 1997/98, the Corporation completed a \$2.5 million project which greatly improves the information available on the effects of a major flood in each municipality.

The Drainage Survey program provides property owners and developers with a clear picture of land which would be flooded during a storm, the severity of which is expected to occur, on average, once in one hundred years.

The survey provides data on how each of Melbourne Water's underground drains would cope with such a severe storm. Individual property owners who have never experienced flooding can now tell what – if anything – would happen to their properties in a one in one hundred year storm event. New information from the Drainage Survey is now being provided to local councils for incorporation into their planning schemes as a Special Building Overlay.

The new data has also been used to update property information statements issued by City West Water, South East Water and Yarra Valley Water. This means developers and property owners will be better informed when making investment and building decisions.

## THE WATERWAYS AND DRAINAGE GROUP FOR 1997/98

### Business performance

|                                      |      |
|--------------------------------------|------|
| Earnings before interest and tax \$M | 76.4 |
|--------------------------------------|------|

### Statutory applications

|  |     |
|--|-----|
| % of town planning applications processed within 28 days | 92% |
|--|-----|

### Offers

|                                      |     |
|--------------------------------------|-----|
| % of offers processed within 60 days | 96% |
|--------------------------------------|-----|

### Other authority works and stormwater connections

|  |     |
|--|-----|
| % of applications processed within 28 days | 95% |
|--|-----|

### Operational – waterways & environment

|   |      |
|---|------|
| % of water quality alert levels reported to EPA | 100% |
|---|------|

## Improvement of business systems

Melbourne Water has developed computer models to help decide priorities for capital expenditure on asset replacement, flood mitigation and waterway rehabilitation. The asset replacement and waterway rehabilitation models are based on the importance of the features that these systems protect and the physical condition of the assets themselves. Flood mitigation projects are prioritised based on how much they will reduce the frequency of flooding and the level of danger to people. The Corporation has completed physical and video camera inspections of all underground drains built before 1960. Priorities have been established for rehabilitation of these drains.

## Greenfield drainage schemes

Melbourne Water has begun a project to establish drainage schemes in all "greenfield" growth areas around Melbourne within three years. Under these schemes the drainage infrastructure within each catchment is built as urban development takes place. The infrastructure is funded by contributions received from landowners when they develop their properties. In 1997/98, plans were approved for drainage schemes at Roxburgh and Derrimut. Plans have been drawn up for another ten catchments.

## Waterway and water quality improvements

During 1997/98, Melbourne Water began preparing a series of Waterway Management Activity Plans and stream geomorphological studies. These projects increased understanding of the dynamics of stream processes. They will become key drivers of works programs along the waterways in the next 10 to 15 years. Over the year, 11 activity plans and six geomorphological studies were completed. Another project was initiated to identify sources of bacterial pollution in Port Phillip Bay. This involved the inspection of drains flowing into the Bay between Port Melbourne and Mordialloc. Bacterial pollution can result from the illegal connection of sewerage pipes into the stormwater system and from leaks from old, cracked sewers. The study highlighted several problem areas which are being further investigated.

Twenty-three waterway rehabilitation and habitat improvement projects were carried out over the year at a total cost of \$3.3 million. These included the construction of fish ladders and habitat features to improve feeding areas for platypus and fish.

## Working with the community

Melbourne Water works with the community, local government and key stakeholders in the management of catchments and other waterway issues. 1997/98 saw the signing of a Stormwater Management Agreement with the Environment Protection Authority (EPA) and the Municipal Association of Victoria. This partnership will improve the environmental management of urban stormwater. Under the agreement, Melbourne Water has so far provided funds to five councils to develop local stormwater management plans.

During 1997/98, Melbourne Water assisted the Port Phillip and Western Port Catchment and Land Protection Board to prepare catchment action programs.

The Corporation works with rural landowners through the Stream Frontage Management Program to improve the condition of streams in targeted catchment areas. In 1997/98 the program was extended to the Arthur/Diamond Creek Catchment. It already operated in the Western Port Catchment and the Yarra Glen area.

Over the year, the El Nino effect reduced flows in the Yarra River to their lowest levels since 1983. Melbourne Water worked with farmers and other property owners who divert irrigation water from streams in the Yarra Catchment to prepare and implement a Drought Response Plan.

## Community Stream Watch

Community StreamWatch is an education program in which 100 schools and other groups collect water-quality data in their local waterways. Responsibility for this program was transferred to Melbourne Water from Parks Victoria in April 1998. Funding assistance for the program is provided by local government and the Natural Heritage Trust. The program is supported by five part-time local coordinators.



# Melbourne Water is recognised as a world leader in environmentally responsible sewage disposal and treatment systems.

## SEWERAGE

Melbourne Water focussed on improving environmental and treatment plant performance and reducing costs to its sewerage business in 1997/98.

The Corporation's commitment to reducing environmental impacts was reflected in a further reduction in sewage spills, better water quality in the city's creeks and streams, and the development of enhanced effluent re-use strategies. The business further enhanced its reputation through the development of environmentally responsible sewage treatment processes.

The financial year saw Melbourne Water, City West Water, South East Water and Yarra Valley Water make significant progress in the development of improved arrangements to manage the risks created by trade waste in the city's sewerage system. Trade waste is produced by hundreds of businesses and factories, large and small, across Melbourne. Working together, the water companies have produced the most comprehensive picture yet of the wastes that are discharged into the sewers and where they end up.

Capacity statements have been developed for the two major sewage treatment plants, the Western Treatment Plant at Werribee and the Eastern Treatment Plant at Carrum. These identify their capacity to accept a range of individual pollutants without adversely impacting on the plants' performance or compliance with Environment Protection Authority (EPA) operating licences.

Melbourne Water, City West Water, South East Water and Yarra Valley Water are working on ways to assess the impact of any increases in pollutant loads.

## Environmental licence compliance

Melbourne Water's sewage treatment plants are required to comply with strict controls on the effluent they discharge into Port Phillip Bay and Bass Strait. The controls are set by the EPA. In 1997/98, the Western Treatment Plant achieved 99.8 per cent compliance with the licence controls. The Eastern Treatment Plant achieved 100 per cent.

## THE SEWERAGE GROUP FOR 1997/98

### Business performance

|                                      |       |
|--------------------------------------|-------|
| Earnings before interest and tax \$M | 141.5 |
|--------------------------------------|-------|

### EPA licence compliance

|                         |       |
|-------------------------|-------|
| Western Treatment Plant | 99.8% |
| Eastern Treatment Plant | 100%  |

## Environmental Improvement Plans

Community Liaison Committees have been set up at both major sewage treatment plants to assist in the development and implementation of Environmental Improvement Plans. Each committee includes local residents and representatives of local councils and the EPA. The improvement plan for Carrum is due to be completed by the end of 1998, the plan for Werribee by mid 1999. The plans will help both plants achieve EPA accredited licence status.

## Process improvement

Melbourne Water continues to work on improving treatment processes at its sewage treatment plants. At the Eastern Treatment Plant, work has begun on a series of improvements which will cost a total of \$20 million. Now in the design stage, the program of works is designed to deliver:

- annual savings of about \$2 million
- reduced emissions and better resource utilisation
- improved plant automation with more centralised control.

At the Western Treatment Plant, Melbourne Water is working on facilities to enhance lagoon treatment of sewage and irrigation of land with lagoon effluent. The aim is to develop process improvements which will reduce the discharge of nitrogen to Port Phillip Bay.

## Lagoon covers

Construction of two giant lagoon covers to trap methane gas at the Western Treatment Plant began in May 1998. Each cover is about four hectares in size and among the largest in the world. The covers will allow the methane to be collected and used to fuel electricity generators, reducing the plant's power bill. Their construction will be a major step towards eliminating odours and reducing greenhouse gas emissions from the plant.

## Effluent re-use

Melbourne's drought in 1997/98 led to increased interest in recycling treated effluent. Melbourne Water advertised for expressions of interest from businesses wanting to purchase effluent from the Eastern Treatment Plant. This is expected to lead to increased re-use of effluent. In 1997/98, the plant supplied 1,280 million litres of effluent, mostly to nurseries and golf reserves situated along the pipeline from Carrum to the plant's ocean outfall at Boags Rocks.

## North Western Sewer Project

After eight years of construction, the North Western Sewer is nearing completion. It will be fully commissioned by September 1998. At the end of the financial year, eight kilometres of the sewer were already operational, improving sewerage services in Sunshine, Footscray, Essendon and Keilor. It will also improve water quality in the Maribyrnong River and Moonee Ponds Creek. The project was budgeted to cost a total of \$253 million, but the actual cost will be approximately \$225 million.

## Efficiency savings

Melbourne Water continues to make significant savings in operating expenditure. The mechanical and electrical maintenance program at the Eastern Treatment Plant was put out to tender during the year. This resulted in additional cost savings and a more flexible approach to the provision of these services. A three year contract for wastewater sampling and analysis was awarded to Water Ecoscience. It consolidated work previously carried out under seven different contracts, providing significant cost savings. Melbourne Water has also made major savings on energy costs by taking advantage of competition among power companies.



# The management of environmental and public health risks is a key focus of research projects under way at Melbourne Water.

## Key Research Areas

| Research Area  | Agencies Involved  |
|--|--|
| The Water Quality Study                                  | Co-operative Research Centre (CRC) for Water Quality and Treatment<br>Monash University. |
| Indicators of safe drinking water                        | Water Services Association of Australia  |
| Water resources and supply                               | CRC for Catchment Hydrology  |
| Catchment sources of microorganisms                      | The University of Melbourne  |
| Catchment hydrology, flood forecasting and water yield   | CRC for Catchment Hydrology  |
| Environmental flows in rivers                            | Marine and Fresh Water Resources Institute   |
| Urban water management                                   | CRC for Freshwater Ecology   |
| Catchment modelling                                      | The University of Melbourne  |
| Platypus biology and distribution                        | Australian Conservation Agency   |
| Sources of faecal contamination in waterways             | CSIRO  |
| Catchment management and litter control                  | CRC for Catchment Hydrology  |
| Effluent Management Study at the Eastern Treatment Plant | CSIRO  |
| Lagoon and Land Treatment at the Western Treatment Plant | Victoria University of Technology<br>The University of Melbourne                         |
| Real time control of sewerage systems                    | Sewerage Group, Melbourne Water  |
| Mixing zone studies in Port Phillip                      | Marine and Fresh Water Resources Institute   |

## RESEARCH AND INNOVATION

Melbourne Water spent \$2.4 million on research in 1997/98 with a major commitment to projects which will help reduce the environmental impact of the Corporation's sewage treatment plants.

The largest project under way is the Effluent Management Study for the Eastern Treatment Plant at Carrum. The CSIRO is managing this study which will assess alternative options for the future management of treated effluent from the plant. Expenditure on the project was \$828,000 in 1997/98. It will cost \$1.27 million by the time it is completed in December 1998.

The Effluent Management Study is made up of a number of different research tasks examining the effects of discharging effluent from the Eastern Treatment Plant into Bass Strait at Boags Rocks. The study is being carried out in conjunction with a community consultation program.

The researchers will provide an accurate assessment of the plant's environmental impact and examine ways of reducing it. The study will consider options for improved sewage treatment at the plant, greater re-use of treated effluent and the possible extension of the ocean outfall at Boags Rocks.

During the financial year, Melbourne Water spent \$280,000 on a series of research projects at the Western Treatment Plant in Werribee. In the order of \$1 million is scheduled to be spent over the next three years to develop improved management systems for lagoon and land treatment processes at the plant. These processes are highly efficient, but can be affected by the weather and other natural influences. The research now under way will ensure the plant can achieve 100 per cent compliance with future Environment Protection Authority operating licence conditions.

## Water quality study

Melbourne Water is a major sponsor of a landmark study into the health effects of the city's water supply. The study is being carried out by researchers at Monash University who are comparing the health records over 18 months of 300 families drinking, filtered water with another 300 drinking Melbourne tap water.

The research is being funded by Melbourne Water, City West Water, South East Water, Yarra Valley Water, the Department of Human Services and the Water Services Association of Australia under the auspices of the Co-operative Research Centre (CRC) for Water Quality and Treatment.

## CRC research

Melbourne Water has made a seven year commitment ending in 2001/02 to the CRC for Water Quality and Treatment to support a range of projects. The commitment involves a contribution of \$50,000 a year plus in-kind contributions averaging \$100,000 a year.

The Corporation is also providing \$50,000 a year plus an average in-kind contribution of \$167,000 a year to programs run by the CRC for Catchment Hydrology. This is a seven year commitment ending in 1998/99. It gives Melbourne Water a stake in research into water catchment yields, river channel stability, control of sediment and nutrient loads, urban waterways, pollution and litter in urban drainage catchments, flood risks and flood forecasting.

Melbourne Water also provides \$50,000 a year plus annual in-kind contributions averaging \$300,000 in a seven year commitment to the CRC for Freshwater Ecology. This commitment ends in 1999/2000. The CRC research program provides benefits in improved technology; for example, in wetland design and in increased ability to predict how the water system will work under different conditions.

## Research approval

Every research project undergoes a rigorous approval process at Melbourne Water. Projects are approved only if they are cost effective and aimed at managing business risks and/or improving productivity. An updated approval process was adopted for 1997/98 after an audit and review in June 1997. The process encompasses the identification of business needs, financial aspects, project analysis, risk assessment, project review, audit after completion and intellectual property implications.

The Corporation's research program involves some of Australia's leading scientific agencies, including CRCs, universities, CSIRO and the Urban Water Research Association of Australia.

Melbourne Water's research budget runs at about \$2.5 million per annum. It has declined since the early 1990s as a result of the completion of some high expenditure projects such as the Port Phillip Bay Environmental Study. The effectiveness of research has been enhanced by the move to partnerships with research agencies and other sectors of the water industry.

## Industry memberships

Melbourne Water maintains strong links within the water industry at international and national levels. Included in its affiliations are the American Water Works Association and its Research Foundation, the Water Environment Federation, the International Association on Water Quality, the Urban Water Research Association of Australia, and the Australian Water and Wastewater Association.



*Melbourne Water's success depends on its people and a work environment where they can learn and perform to their full potential.*

## **MELBOURNE WATER PEOPLE**

Melbourne Water aims to develop a work environment where employees can learn and perform to their full potential, are committed to the achievement of corporate goals and see Melbourne Water as the employer they most want to work for.

In 1997/98, the business negotiated a new Enterprise Agreement, introduced a new Performance Management System, further reduced workplace accidents, reviewed its corporate values and held a series of communication forums for employees.

### **Enterprise Agreement**

The Melbourne Water Enterprise Agreement 1998 will run for two years. It delivers a wide range of benefits including:

- the linking of salary increases to a range of corporate performance targets
- the scope to improve efficiencies and work practices by reviewing salaries and conditions including overtime, shiftwork and availability
- a commitment to a new Performance Management System
- the ability to introduce individual employment agreements to reward individual skills and performance
- establishment of a new consultative Employee Representative Committee as a forum for employees to contribute to the review and development of human resources policies and procedures.

Employees strongly supported the new agreement: 78 per cent of eligible employees voted and of those 83 per cent voted in favour.

### **Performance management**

A new Performance Management System now applies to all employees. All managers and employees have been trained in the new system which requires the development of career development plans and work improvement plans for all employees. The system provides an opportunity for employees and their managers to discuss and set objectives aligned to the employees' development needs and key workplace deliverables.

*Left:  
Keir Paterson, Corporate and  
Community Relations Officer with  
David Cooper, Field Service Operator  
at Upper Yarra Reservoir.*

## **Succession planning**

Melbourne Water's Succession Planning Policy was further reviewed and developed. The Corporation is well placed with successors and potential candidates to fill key management and technical positions.

## **Employee communication forums**

In November and December of 1997, the majority of employees took part in internal communication forums which provided an opportunity to participate in discussions on issues facing the Corporation and plans for the future direction of the business.

Outcomes from the forums included:

- a review and confirmation of Melbourne Water's Purpose Statement as an accurate description of its business role
- a review and redefinition of the Corporation's values
- communication to all employees of a summary of the Strategic Plan.

## **Equal opportunity**

Melbourne Water is an equal opportunity employer. Discrimination, victimisation and harassment of any kind are unacceptable. During the year, structured Equal Employment Opportunity management practices were further developed and implemented. All employees received EEO awareness training. An EEO Committee was set up and EEO contact officers were appointed.

## **Occupational Health and Safety**

Occupational Health and Safety continued to be a major priority in 1997/98. There was a further reduction in workplace accidents from eight to six, although the Lost Time Injury Frequency Rate increased slightly from 4.8 in 1996/97 to 5.6 in 1997/98. During 1997/98, it was confirmed that Melbourne Water's Lost Time Injury Frequency Rate in 1996/97 was better than that of any similar water business in Australia.

Melbourne Water began the process of seeking Level 1 SafetyMAP accreditation for the entire business. The Brooklyn Pumping Station has already achieved certification.

The Victorian WorkCover Authority carried out an audit of Melbourne Water in July 1997 and found a significant improvement in health and safety management since the 1996 audit. As a result, the Corporation's Self Insurance was renewed for three years without qualification which amounts to significant cost savings.

## **Number of employees**

Melbourne Water had 562 employees at 30 June 1998, 467 men and 95 women. This compares with 750 employees – 639 men and 111 women – at 30 June 1997.

## **Melbourne Water values**

Melbourne Water's values were redefined in December 1997 to underpin the organisation's way of working. Melbourne Water's values are:

- innovation
- co-operation
- respect
- enthusiasm
- integrity
- pride.



# *Melbourne Water consults people on major issues and developments that could affect them.*

## **COMMUNITY CONSULTATION**

### **Assessing major projects**

Melbourne Water revised its policy for assessing the impact of major capital works projects on the community and the environment. A checklist was developed to ensure that full assessments are made and necessary consultation is undertaken with residents, community groups and other organisations prior to projects starting.

### **Epsom Road sewer upgrade**

In 1997/98, Melbourne Water developed an extensive community relations program for the \$6 million upgrade of the Epsom Road Sewer. Regular information bulletins are being issued to local residents and businesses in Moonee Ponds and Ascot Vale to inform them of the project's impact on traffic access and parking. Community information sessions are also being held and a display of the project is located in a prominently placed local business. Work on relining a 2.2 km section of the sewer commenced in July 1998 and is due to be completed by October 1999.

### **Working with rural communities**

Melbourne Water continued the Stream Frontage Management Program to work with rural landowners on improving the condition of rivers and streams which run through their properties. Melbourne Water also worked closely with farmers to minimise the impact of the drought on properties that use irrigated water diverted from streams in the Yarra catchment area.

### **Woodlands Estate wetlands**

A community consultative group was established to advise Melbourne Water on the development of wetlands at the Woodlands Industrial Estate at Braeside. The estate is on the site of a former sewage treatment plant. The creation of wetlands for stormwater treatment will help regenerate the site's natural values.

### **Partnerships with local communities**

Melbourne Water worked closely with councils and the Environment Protection Authority to develop local stormwater management plans. In April 1998, Melbourne Water funded StreamWatch,

a community education program which involves students from more than 100 schools collecting water quality data from their local waterways.

Melbourne Water also undertook community relations programs with local communities on the impact of capital works projects at Ballar Creek near Mt Eliza, Elster Creek at Elsternwick and the Parkers Road main drain at Mentone.

### **Treatment plant consultative committees**

Local consultative committees were established at the Western and Eastern Treatment Plants to provide community input into environmental improvement plans. To achieve accredited operating licences from the Environment Protection Authority, the plants are required to develop improvement plans with community involvement.

### **Effluent Management Study**

Melbourne Water continued to work with environmental groups, surfrider organisations and the local community on the Effluent Management Study for the Eastern Treatment Plant at Carrum. The study is investigating ways to reduce the environmental impact of treated effluent that is discharged at the Boags Rocks outfall at Cape Schank. Regular meetings were held with an independent environment reference group to report on the study's progress and information was provided through regular newsletters and on the Internet.

### **St Georges Road landscaping program**

Melbourne Water completed the replanting of a local reserve and palms along St Georges Road between Preston and Northcote. This \$200,000 project will help restore St Georges Road as one of Melbourne's boulevards. It follows the replacement of a major water main in this corridor by Melbourne Water in early 1996. The local community was closely involved in the landscaping program through the Community Landscape Committee. Valuable input was also made by the Merri Creek Management Committee, Darebin Bicycle Users Group and the City of Darebin.

### **Consultative arrangements**

Melbourne Water has established or participates in a total of 40 groups and committees which consult with or provide advice to Melbourne Water in respect of its functions.

- Association of Land Development Engineers
- Association of Consulting Surveyors
- CRC Real-Time Flood Forecast Project Review Committee
- Carrum Lowlands Wetlands Management Group
- Dandenong Catchment Implementation Committee
- Development Industry Liaison Committee
- Eastern Treatment Plant Local Consultative Committee
- Effluent Management Study Reference Group
- Effluent Management Study Agencies Group
- Effluent Management Study Surf Riders Group
- Emerald Water Quality Improvement Committee
- Hoddles Creek Streamflow Management Plan Advisory Group
- Kananook Creek Advisory Committee
- Koo-Wee-Rup – Longwarry Drainage and Flood Mitigation Advisory Committee
- Lillydale Lake Consultative Committee
- Lower Plenty River Co-ordinating Committee
- Maribyrnong Catchment Implementation Committee
- Merri Creek Management Committee
- Moonee Ponds Creek Revival Plan Steering Committee
- Murtcaim Wildlife Committee
- Moonee Ponds Creek Association
- Patterson Lakes Advisory Committee
- Port Phillip and Western Port Catchment and Land Protection Board
- Port Phillip Catchment Implementation Committee
- Ruffey Lake Park Advisory Committee
- St Georges Road Landscape Committee

South Eastern Outfall Community Consultative Committee  
 State Flood Policy Committee  
 Stormwater Committee  
 Stormwater Management Working Group  
 Trade Waste Advisory Committee  
 Urban Design Institute of Australia  
 Victorian Flood Warning Consultative Committee  
 Victorian Outdoor Range Zoo Committee  
 Werribee Catchment Implementation Committee  
 Western Port Catchment Implementation Committee  
 Western Treatment Plant Community Liaison Committee  
 Western Treatment Plant Wildlife Consultative Committee  
 Yallock Drainage and River Improvement Rates Advisory Committee  
 Yarra Catchment Implementation Committee

### Freedom of information

The designated persons for the purpose of the Act are:

*Principal Officer*  
 Brian Bayley  
 Managing Director  
 Melbourne Water Corporation

*Authorised Officer*  
 Jane Denton  
 Freedom of Information Officer  
 Melbourne Water Corporation

During 1997/98, Melbourne Water received 9 requests for access to documents under the *Freedom of Information Act 1982*.

The requests were processed as follows:

|                               |   |
|-------------------------------|---|
| Access in full                | 2 |
| Access in part                | 2 |
| Access refused                | – |
| Documents not located         | 3 |
| Transferred to another agency | – |
| Applicant did not proceed     | 1 |
| Not finalised                 | 1 |

The above information is published under Part 11 of the *Freedom of Information Act 1982*. Information on Melbourne Water's consultative arrangements required under Section 7 of the Act is set out on page 33 and 34. Information on the Corporation's publications, also required under Section 7, is set out on the inside back cover.

### Categories of documents

Melbourne Water uses a computerised file management system for management of correspondence and documents. The Corporation also uses other on-line computer systems to manage financial, human resource and other operational activities and plans relating to its water supply, waterways and drainage and sewerage functions. Historical archives on Melbourne Water's activities are available at the Laverton Research Rooms of the Public Records Office.

### Access to documents

People wanting access to Melbourne Water documents under the *Freedom of Information Act 1982* should write to:

*Freedom of Information Officer*  
 Melbourne Water Corporation  
 PO Box 4342  
 Melbourne Vic 3001

Each application must clearly identify the documents sought and be accompanied by a \$20 application fee. General enquiries on Freedom of Information matters can be made by telephoning the Freedom of Information Officer on (03) 9235 7100 between 8.00 am and 5.00 pm, Monday to Friday.

### Use of consultants

The total cost of engaging consultants in 1997/98 was \$2.3 million for both operating and capital activities. Three consultancies undertaken were over \$100,000.

### EXECUTIVE TEAM MEMBERS

**Back row (left to right):** Bob Thomas, Manager, Information Technology; Ross Young, General Manager, Waterways and Drainage; Darryl Corney, Chief Finance Officer; Geoff Mabbett, Manager, Corporate Strategy; Jennefer Whybrow, Corporate Secretary; Howard Rose, Manager, Pricing and Regulation; David Lynch, General Manager, Sewerage.

**Front row (sitting left to right):** Christine Gibbs, Manager, Corporate and Community Relations; Grant Wilson, General Manager, Water; Brian Bayley, Managing Director; Malcolm Haynes, Manager, Human Resources; Peter Scott, Manager, Science and Technology.

## BOARD OF DIRECTORS

### **Christopher Stewart**

#### *Chairman*

Christopher Stewart joined Melbourne Water Corporation as Chairman on 1 January 1995. Mr Stewart is Chairman of the Bank of Melbourne and a Director of Gandel Management Limited, Milton Corporation Limited, Permanent Trustee Company Limited and Westpac Banking Corporation. Mr Stewart is a Trustee of the Families in Distress Foundation and a Board Member of the Financial Markets Foundation for Children.

### **Judith M King** BA, FAICD

#### *Deputy Chairperson*

Judith King was appointed Deputy Chairperson of Melbourne Water on 1 January 1995. Ms King is Chief Executive Officer of the Australian Coalition of Service Industries, a Director of National Mutual Health Insurance Limited, Vice President of the National Aging Research Institute and a member of the Council of Swinburne University. She was a Director of MITS Limited until 31 March 1998.

### **Anthony A Browne** BA LLB (Hons)

#### *Director*

Tony Browne is a Senior Partner with Arthur Robinson and Hedderwicks, solicitors, and joined the Board on 22 March 1995. He has extensive experience in corporate and financial law and is a member of the Research and Ethics Committee of Epworth Hospital.

### **Roy V Gilbert** BA (Hons) PhD

#### *Director*

Roy Gilbert is a consultant and adviser on strategic planning. He has worked on strategic planning and infrastructure projects for the World Bank, the Inter-American Development Bank and the United Nations Industrial Development Organisation. He was previously Permanent Head of the Victorian Ministry of Housing and Chairman of the Victorian Housing Commission and has held other federal and state government positions. Dr Gilbert was appointed to the Board of Melbourne Water on 22 March 1995.

### **Baard Solnordal** BEc & Bus. Admin, FCA

#### *Director*

Baard Solnordal was appointed to the Board on 22 March 1995. He is a former Senior Partner with Ernst and Young, chartered accountants, and is a commercial accountant with wide experience as a company director, financial adviser and auditor.

### **Brian R Bayley**

#### *Managing Director*

Brian Bayley was appointed Managing Director on 28 July 1998. He was appointed Chief Executive Officer on 1 February 1998. He was formerly head of the Corporation's Water Group. Mr Bayley has extensive water industry experience in a broad range of senior management positions.

*The Board is committed to high standards of corporate governance in carrying out its responsibilities for strategy and policy.*

## CORPORATE GOVERNANCE

The Board of Directors has ultimate responsibility for governance of the Corporation and determines its strategies and policies. The Board operates under the provisions of the *Melbourne Water Corporation Act 1992*. The Board oversees strategic planning and risk management, and also reviews remuneration and succession planning.

A number of committees help ensure the Board carries out its functions effectively. A Board charter is in place which defines the role of the Board and the responsibilities of management.

The Board of Directors comprises a non-executive Chairman, four non-executive directors, and the Managing Director. Details of directors' qualifications and experience can be found on page 37.

The roles of Chairman and Managing Director are separated by legislation. Directors, other than the Managing Director, are appointed by the Minister for Agriculture and Resources for a period not exceeding three years. Board members are eligible for re-appointment, but may not hold office for consecutive periods exceeding nine years. In appointing directors, the Minister is required to ensure as far as possible that directors have qualifications and experience relevant to the Corporation. The conditions of appointment are established by Government.

The performance of Board members is reviewed by the Chairman on an ongoing basis. The Board monitors the performance of management and the succession planning process.

Under the terms of the *Melbourne Water Corporation Act 1992*, the Managing Director is appointed by the Board, following consultation with the Minister, for a period not exceeding five years and is eligible for re-appointment. The performance of the Managing Director is reviewed by the Board on a regular basis.

Directors have the right to seek independent professional advice in connection with their duties and responsibilities. The *Melbourne Water Corporation Act 1992* provides for declarations of pecuniary interest by directors.

Board meetings are held monthly, excluding January. Regular written reports from management and presentations on corporate and business activities are provided to directors. The Board members also participate in site visits and receive corporate publications.

Statutory reports are provided to Government as shareholder. These reports cover key financial information and the performance of the Corporation against key performance indicators established in the Corporate Business Plan.

## Board committees

### *Audit Committee*

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities on financial reporting, accounting and operational control practices, and compliance with relevant laws. The Committee's Terms of Reference include facilitating communication between the Board, internal and external auditors, and management.

The Audit Committee comprises B Solnordal (Chairman), A Browne and J King. The Terms of Reference set out requirements for the Committee's composition. The Managing Director, the Chief Finance Officer and representatives from PricewaterhouseCoopers, Melbourne Water's internal auditor, attend Audit Committee meetings by invitation. Representatives from the Auditor-General's Office also regularly attend meetings. The Committee's Terms of Reference provide members with unlimited access to auditors and senior management. Members can seek independent advice if necessary. The Audit Committee meets four times a year and may meet more frequently if required. Reports are provided to the Board after each Committee meeting.

### *Remuneration Committee*

The Remuneration Committee makes recommendations to the Board on remuneration arrangements and terms of employment for executives and other employees. Remuneration and other terms of employment are reviewed annually. Reviews cover employee performance as well as market and policy factors, as appropriate.

The Committee comprises C Stewart and J King, and meets at least twice each year. The Managing Director attends by invitation. Reports are provided to the Board after each Committee meeting. Further details about directors' and executive remuneration are set out in Notes 18 and 19 of the Financial Statements.

## Policies and internal control

The Board has overall responsibility for the Corporation's internal control framework. A Code of Conduct sets out the standards of behaviour expected of all employees. The Code is reviewed and reissued to all employees annually. All new employees receive the Code on joining Melbourne Water. Corporate policies are reviewed regularly and are available to employees through the computer system. Major new policies and amendments to existing policies are approved by the Board and are then communicated to employees.

## Risk management

The Board has overall responsibility for the Corporation's risk management. A control self assessment audit program was introduced during 1995/6. Since then this has evolved into the Risk Audit Procedure. It is designed to assist the Board to identify and monitor risk, to ensure the Corporation's policies and procedures are being followed and that risks are being properly managed. The Risk Audit Procedure is being further enhanced by implementation of a computer based system.

The risk management policy requires that risk management is applied consistently across the Corporation. Risk management systems are therefore being developed. Risk Managers have been assigned for key identified risk areas. Compliance reports are provided to the Audit Committee every six months. The reports are subject to periodic auditing. The Risk Audit Procedure is backed up by risk identification and analysis of specific risks as appropriate.

### *Year 2000*

During the year Melbourne Water acted to minimise the impact of the Year 2000 date change on its operations. A Steering Committee comprising senior management is overseeing the Year 2000 project with external consultants providing additional project management and technical expertise.

The project involves identifying year 2000 issues for the Corporation's business systems and developing appropriate strategies to deal with them. These strategies include consulting key customers and suppliers, remediation replacement of systems and use of contingency plans. Appropriate financial provisions are being made to deal with year 2000 issues.

#### *Asset risk*

Regular reports on the operation and condition of the water, sewer and drainage asset networks are presented to the Board. Physical assets are classified into risk categories and inspected regularly.

#### *Operational risk*

Regular operating reports are provided to the Board by each of the groups within Melbourne Water. The reports include performance against budget and financial and non financial performance indicators. Information is also provided on significant events and incidents and their impact on the Corporation. The groups also report on any health and environmental compliance matters.

#### *Financial risk*

The Corporation's business exposes it to financial risk. This includes interest rate risk, credit risk, liquidity risk and operational risk associated with treasury activities.

The Corporation has a comprehensive framework for managing financial risk. It includes a Financial Risk Management Policy approved by the Board annually. A Financial Risk Management Committee has been established. The Committee is chaired by the Managing Director and includes senior executives and an external adviser. The Corporation's treasury unit operates as the 'cost centre' and takes an active approach to managing financial risk through procedures outlined in the policy.

### **Occupational Health and Safety**

Melbourne Water's Executive Occupational Health and Safety (OH&S) Committee comprises the Managing Director as Chairman, senior management and employee representatives. The Committee meets monthly and is responsible for the development, implementation and auditing of an effective OH&S management system. The Board is provided with monthly reports on OH&S performance and initiatives.

### **Research**

An approval and management process has been established to ensure research is cost effective and targeted at managing business risks and improving productivity. The process encompasses the identification of business needs, financial aspects, project analysis, risk assessment, project review, post completion audit and intellectual property implications. An annual report is provided to the Board.

### **Particulars, functions and powers**

Melbourne Water Corporation is a statutory corporation constituted under the *Melbourne Water Corporation Act 1992*. It derives its operational powers from *The Melbourne and Metropolitan Board of Works Act 1958 (MMBW Act)*, and other legislation. Melbourne Water's principal decision-making powers affecting members of the public come from these two Acts. They should be referred to when detailed information is sought.

Melbourne Water is empowered to make by-laws under the *MMBW Act* in relation to its functions. The particulars and functions of Melbourne Water are referred to in this Annual Report.

Under an agreement with the Minister for Natural Resources, which came into effect on 30 November 1995, the Minister has delegated his functions and powers as a Floodplain Management Authority under the *Water Act 1989* to Melbourne Water. Melbourne Water, as an agent of the Minister, provides floodplain management services over the Melbourne Water drainage area.

## **DIRECTION FROM THE TREASURER UNDER SECTION 34**

### **Water Industry Act 1994**

I hereby Direct the Board of Directors of Melbourne Water Corporation to pay:

- (a) City West Water Ltd the amount of rates received by Melbourne Water Corporation from City West Water Ltd on or after 1 January 1998 under the Agreement;
- (b) South East Water Ltd the amount of rates received by Melbourne Water Corporation from South East Water Ltd on or after 1 January 1998 under the Agreement; and
- (c) Yarra Valley Water Ltd the amount of rates received by Melbourne Water Corporation from Yarra Valley Water Ltd on or after 1 January 1998 under the Agreement,

until such time there are no outstanding rates payable to Melbourne Water Corporation from the relevant company.

In this Direction:

- (a) 'Agreement' means the Agreement dated 30 December 1994 between Melbourne Water Corporation, City West Water Ltd, South East Water Ltd and Yarra Valley Water Ltd for the billing and collection of rates, and any subsequent agreement between Melbourne Water Corporation and the relevant company for the billing and collection of water supply and sewerage rates; and
- (b) 'rates' means water supply and sewerage rates made and levied in accordance with the provisions of Part II and Part III of the *Melbourne Metropolitan Board of Works Act 1958*.



Alan R Stockdale  
Treasurer

Dated December 1997

### **Water Industry Act 1994**

#### *Variation of Direction*

I hereby vary the Direction given to the Board of Directors of Melbourne Water Corporation under section 34 of the *Water Industry Act 1994*, dated September 1995, as follows:

- (a) in clause 3(b), for '30 June 1998' substitute '31 December 1997';
- (b) in clause 4(b), for '30 June 1998' substitute '31 December 1997';
- (c) in clause 5(b), for '30 June 1998' substitute '31 December 1997';
- (d) in clause 10, for '30 June 1998' substitute '31 December 1997';
- (e) in the Heading of Table 2 of the Schedule, for '30 June 1998' substitute '31 December 1997'; and
- (f) in column 4 of Table 2 of the Schedule-
  - (i) for '+3,000,000' substitute '+2,250,000';
  - (ii) for '-15,400,000' substitute '-11,550,000'; and
  - (iii) for '+12,400,000' substitute '+9,300,000'.



Alan R Stockdale  
Treasurer

Dated December 1997

## FIVE YEAR FINANCIAL SUMMARY

### Profit and Loss Statement for year ended 30 June

|   | 1998<br>\$M | 1997<br>\$M | 1996<br>\$M | 1995<br>\$M | 1994<br>\$M |
|---|-------------|-------------|-------------|-------------|-------------|
| Operating revenue                                     | 567.0       | 679.8       | 686.6       | 959.8       | 1,275.5     |
| Operating profit before abnormal items and income tax | 242.5       | 267.8       | 208.5       | 225.7       | 362.8       |
| Abnormal items before income tax                      | –           | 4.4         | 62.0        | 37.5        | 47.5        |
| Operating profit before income tax                    | 242.5       | 263.4       | 146.5       | 188.2       | 315.3       |
| Income tax attributable to operating profit           | 81.9        | 97.0        | 24.6        | 57.7        | 73.2        |
| Operating profit after income tax                     | 160.6       | 166.4       | 121.9       | 130.5       | 242.1       |
| Dividend provided for or paid                         | 141.1       | 141.3       | 80.0        | 28.8        | 223.0       |

### Balance Sheet as at 30 June

|                          | 1998<br>\$M    | 1997<br>\$M    | 1996<br>\$M    | 1995<br>\$M    | 1994<br>\$M    |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Current assets           | 37.4           | 46.1           | 48.2           | 43.7           | 139.4          |
| Non current assets       | 2,684.0        | 2,668.1        | 2,682.4        | 2,654.3        | 5,139.7        |
| <b>Total assets</b>      | <b>2,721.4</b> | <b>2,714.2</b> | <b>2,730.6</b> | <b>2,698.0</b> | <b>5,279.1</b> |
| Current liabilities      | 317.9          | 454.6          | 607.0          | 588.2          | 1,149.6        |
| Non current liabilities  | 1,345.7        | 1,564.9        | 1,690.1        | 1,718.0        | 2,773.8        |
| <b>Total liabilities</b> | <b>1,663.6</b> | <b>2,019.5</b> | <b>2,297.1</b> | <b>2,306.2</b> | <b>3,923.4</b> |
| <b>NET ASSETS</b>        | <b>1,057.8</b> | <b>694.7</b>   | <b>433.5</b>   | <b>391.8</b>   | <b>1,355.7</b> |
| <b>Total equity</b>      | <b>1,057.8</b> | <b>694.7</b>   | <b>433.5</b>   | <b>391.8</b>   | <b>1,355.7</b> |

The following issues should be considered when reviewing the five year financial summary:

- The disaggregation of the retail functions occurred on 1 January 1995.
- The disaggregation of Melbourne Parks & Waterways occurred on 1 July 1994.